

Message Text

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PAGE 01 STATE 177700
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DRAFTED BY EA/K;STAFF:LKD

APPROVED BY EA/K: MR. RICH

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E.O. 11652: N/A

TAGS: AORG, EFIN, XMB, BENC, KS, US, ECON, ETRD, CASC, CPAS, ESTC

SUBJECT: WEEKLY STATUS REPORT - KOREA

TO: EA - MR. HOLBROOKE

FROM: EA/K - ROBERT G. RICH, JR.

1. KOREA DESK STAFF CHANGES (UNCL)

WE REGRETFULLY SAY FAREWELL TO FRANZ MISCH NEXT WEEK
AS FRANZ DEPARTS TO TAKE UP HIS NEW RESPONSIBILITIES IN
THE POLITICAL SECTION IN SEOUL. WE ARE GLAD HE WILL CON-
TINUE TO BE PART OF THE TEAM. ARRIVING IN EA/K FOR DUTY ON
MONDAY WILL BE DOUGLAS B. MCNEAL (FSO-5). DOUG IS COMING
FROM THE POLITICAL SECTION IN SEOUL AND IS FLUENT IN THE
KOREAN LANGUAGE. WE WILL FULLY UTILIZE HIS CURRENT KNOW-
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PAGE 02 STATE 177700

LEDGE OF THE LOCAL SCENE IN KOREA AND HE WILL TAKE OVER
THE SOUTH KOREA POLITICAL AND HUMAN RIGHTS BRIEFS FOR
THE OFFICE. (RGR)

2. DEPARTMENT RECOMMENDS APPROVAL OF IBM COMPUTER SALE (L.O.U.)

AT THE IGHRAF MEETING JULY 12, THE WAY WAS CLEARED
FOR COMMERCE TO APPROVE THE SALE OF AN IBM 370/148 COMPUTER

FOR THE ROK MINISTRY OF HOME AFFAIRS. IBM'S APPLICATION FOR
AN EXPORT LICENSE HAS BEEN DELAYED SEVERAL MONTHS PENDING
THE DEPARTMENT'S DETERMINATION OF PD-30 CONSIDERATIONS.
OUR ACTION MAY HAVE COME TOO LATE TO MAKE THE SALE AS THE
ROKG HAD TURNED TO JAPANESE SOURCES TO REPLACE ITS AGING
UNIVAC COMPUTER. THE NEW SYSTEM WOULD BE USED FOR REGIS-
TRATION OF CITIZENS; MAINTENANCE OF VITAL STATISTICS,
SOCIAL SECURITY AND MILITARY RECORDS; MOTOR VEHICLE
REGISTRATION; BUDGET AND PAYROLL; AND POLICE RECORDS.
(BDP)

3. AMERICAN COMPANIES WIN IN POWER PROJECT COMPETITION
(L.O.U.)

IN RESPONSE TO AN ROKG/KOREAN ELECTRIC COMPAN (KECO)
REQUEST, EX-IM BANK IMPROVED THE FINANCING TERMS FOR A
THERMAL POWER PROJECT TO SUPPORT THE SALES BIDS OF TWO
AMERICAN FIRMS, GENERAL ELEXTRIC AND COMBUSTION ENGINEER-
ING. GE (FOR THE TURBINES) AND CE (FOR THE BOILERS) ARE
BOTH BIDDING IN CONJUNCTION WITH HYUNDAI COMPANIES, AND
FACED STIFF JAPANESE AND EUROPEAN CONPETITION. DESIRING
TO PURCHASE FROM THE AMERICAN SUPPLIERS, THE ROKG AN-
NOUNCED THAT A 15 PERCENT DOMESTIC PREFERENCE WOULD BE
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PAGE 03 STATE 177700

APPLIED TO NON-NUCLEAR POWER PROJECTS, WHICH WOULD ALLOW
KECO TO SELECT THE HYUNDAI/AMERICAN BIDS. MORE IMPOR-
TANTLY, THIS GIVES THEM THE INSIDE TRACK TO A MUCH LARGER
SIMILAR PROJECT. WE BELIEVE THIS IS AN EXAMPLE OF THE
ROKG'S ATTEMPT TO ADJUST ITS TRADE BALANCE WITH ITS MAJOR
TRADING PARTNERS, TO THE BENEFIT OF AMERICAN SUPPLIERS.
(BDP)

4. EXPORTS CONTINUE APACE BUT INFLATION FEARS GROW
(UNCL)

AT MID-YEAR, KOREA'S EXPORT PROGRAM IS ON SCHEDULE,
AND DESPITE SOME GLOOMY PROGNOSTICATIONS, THERE ARE NO
REAL REASONS TO DOUBT THAT THE 1978 TARGET OF \$12.5
BILLION WILL BE MET. WITH PRELIMINARY DATA SHOWING A
SIX-MONTH TOTAL OF \$5,704 MILLION, ROK EXPORTS SLIGHTLY
EXCEED THE TARGET AND SHOW AN INCREASE OF 26 PERCENT
OVER THE SAME PERIOD LAST YEAR. APPREHENSIONS OVER
PROSPECTS FOR CONTINUED GROWTH IN EXPORTS STEM FROM
INCREASED LOCAL DEMAND FOR CONSTRUCTION MATERIAL (CEMENT,
PLYWOOD, AND STEEL REBARS), PERSISTANT INFLATION (RISING
WAGES) AND THE ROKG'S ANTI-INFLATION MEASURES (INCREASED

CAPITAL COSTS DUE TO HIGHER INTEREST RATES). WHILE EXPORTS DO NOT APPEAR TO BE SERIOUSLY THREATENED, INFLATION IS BECOMING AN INCREASINGLY THORNY PROBLEM FOR THE

ROKG. THE GOVERNMENT REALIZES IT MUST TAKE STERN MEASURES BUT AS YET HAS NOT BEEN ABLE TO AGREE ON WHICH ARE NECESSARY OR BEST. CRITICISM IS BECOMING WIDE-SPREAD, THOUGH OFTEN PROBABLY MISTAKEN, SINCE IN A YEAR OF REAL GROWTH IN THE RANGE OF 12-14 PERCENT, CLEARLY NOT EVERYONE IS WORSE OFF. EXPECTEDLY, HARDEST HIT ARE THE LESS SKILLED, AND AS INFLATION BECOMES A GROWING POLITICAL ISSUE, SOME PROMINENT OFFICIALS MAY LOSE THEIR JOBS.

(BDP)

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5. CONGRESSIONAL INTEREST AMERICAN BUSINESSMAN'S PROBLEMS IN SEOUL (L.O.U.)

CONGRESSMAN ROBERT DUNCAN (D-ORE) HAS EXPRESSED STRONG INTEREST IN PROBLEMS ENCOUNTERED BY A FRIEND WHO IS ENGAGED IN A TRADE DISPUTE WITH A KOREAN FIRM. REPORTEDLY THE TRADE DISPUTE IS ALSO IN THE HANDS OF A U.S. COURT, BUT IN THE MEANTIME THE AMERICAN BUSINESSMAN IS UNABLE TO LEAVE KOREA BECAUSE THE LOCAL FIRM HAS FILED A COMPLAINT WITH THE POLICE. EMBASSY SEOUL REPORTS OTHER RECENT INCIDENTS OF LOCAL FIRMS FILING POLICE COMPLAINTS IN CONNECTION WITH TRADE DISPUTES, AND IS REGISTERING ITS CONCERN WITH THE ROKG. WE ARE IN FREQUENT CONTACT WITH THE CONGRESSMAN'S OFFICE, THE BUSINESSMAN'S ATTORNEY, AND THE KOREAN EMBASSY. CONGRESSMAN DUNCAN PERSONALLY EXPRESSED HIS CONCERN TO AMBASSADOR KIM YESTERDAY. (BDP)

6. LATE BULLETIN (UNCL)

CONGRESSMAN FRASER'S OFFICE HAS INFORMED US THAT HE IS CIRCULATING ON THE HILL FOR SIGNATURE A LETTER TO PRESIDENT CARTER CALLING ATTENTION TO HUMAN RIGHTS ISSUES IN SOUTH KOREA. THE LETTER IS TIMED WITH REGARD TO THE REELECTION AND INAUGURATION OF PARK CHUNGHEE TO A NEW TERM AS PRESIDENT. (RGR)

CHRISTOPHER

NOTE BY OC/T: POUCHED PORT MORESBY

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